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C O N F I D E N T I A L SECTION 01 OF 04 SANTO DOMINGO 004104

SIPDIS

DEPT FOR EAP/CM KAYE LEE, WHA/PCP JEFF BISCHOFF, AND  
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E.O. 12958: DECL: 08/08/2025

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SUBJECT: SANTO DOMINGO: CHINESE ACTIVITIES IN DOMINICAN  
REPUBLIC

REF: A. 2005 SECSTATE 138041

- [1](#)B. 2004 SANTO DOMINGO 06472
- [1](#)C. 2004 SANTO DOMINGO 06656
- [1](#)D. 2004 SANTO DOMINGO 06298

(C) Summary: The Dominican Republic is one of just 26 countries that maintain formal diplomatic relations with Taiwan. Beijing's economic, political, and social investment in the country has been limited. The People's Republic of China has concentrated its efforts on convincing the Dominican government to recognize the PRC formally. President Fernandez is interested in the PRC in order to expand his nation's economic opportunities and broaden its international relationships. Members of congress have recently traveled to the PRC. End Summary.

(C) Following are the Department's questions from reftel and our responses:

(C) Q: What is the frequency of high-level political contact between host-country officials and Chinese officials? Is there evidence of political discussion on global policy issues or Chinese pressure to support China's view on hot button issues? How does Beijing's effort to constrain Taiwan's international space play into Chinese local activities and its relationship with host government?

(C) A: The Dominican Republic is the largest Caribbean island nation that maintains diplomatic relations with Taipei. The focus of PRC relations with the Dominican political system has been on Beijing's global campaign to isolate Taiwan (ref B). We do not foresee Dominican recognition of Beijing in the immediate future, but do not rule out the possibility sometime in the next few years (ref B).

(C) Over the past year, PRC representative have visited about every 3-4 months. Taiwan has responded at about the same frequency, often announcing additional investment or assistance.

(C) It appears that PRC discussions are keyed far more to linking economic opportunity with recognition than to discourse on specific policy issues (for example none of the visitors was reported to have made specific demarches).

(C) Foreign Minister Carlos Morales Troncoso commented to the Ambassador in November 2004 that Dominican recognition of Beijing might be inevitable over the long term, "but not right now." Taiwanese news reports just prior to Fernandez's inauguration in August 2004 speculated that, while Fernandez might strengthen ties with the PRC, the new president was a "long-time friend of Taiwan" who had promised to maintain ties between Taiwan and the Dominican Republic after taking office.

(SBU) In January 2005, Morales Troncoso was quoted in the Dominican press as saying that the Dominican Republic should select which entity, PRC or Taiwan, is more convenient for diplomatic and commercial relations. He said that the PRC is a "great reality in the world" and that it has made important investments in Latin America.

(SBU) In January 2005, a PRC delegation met in Santo Domingo with members of the Partido de la Liberacion Dominicana (PLD), and called on President Fernandez at the Presidential Palace. The delegation included Wang Yulin, Sub Director for Latin American issues, Wang Jialei and Chen Fafen. The PRC representatives reminded the Dominican government of the importance of PRC-Dominican relations and discussed the possibilities for commercial cooperation. Wang said that the PRC has formal relations with 166 countries in the world and that he hoped the Dominican Republic would be number 167. Dominican news report that Reinaldo Pared Perez, Secretary General of the PLD, stated that the PRC could be a great ally to the Dominican Republic and could provide a solution to some of the important problems the country now faces, such as the energy crisis.

(SBU) The PLD hosted a celebration in the Presidential Palace for the Chinese delegation. When asked by press if the

Dominican government relationship with Taiwan would hinder relations with China, Perez stated that the PLD would maintain and strengthen relations with the PRC.

(SBU) In mid-2004 Dominican Ambassador to the United States Hugo Guilliani Cury visited the PRC seeking investment in export-oriented factories in the Dominican Republic (ref B). This visit was followed by that of nine Dominican senators including Senate President Andres Bautista, who spent 7 days in the PRC, visiting Beijing, Guaylin, Shenzhen, and Shanghai. The group was accompanied throughout the visit by Vice Foreign Minister Ji Peiding. Many PRC officials, including the National People's Assembly president, reportedly expressed their government's desire for diplomatic relations with Santo Domingo. Dominican senators had been guests of Taipei authorities on a previous trip, in mid-2004, and caused a brief stir when a Taipei legislator reported speculation by Dominican Revolutionary Party (PRD) Senator Ramon Albuquerque that the incoming administration might want to recognize the PRC.

(U) The following 4 questions are answered jointly, below.

(C) Q: What is the composition and value of host country's trade with China (imports and exports)? Please indicate source of statistics and whether this includes trade with Hong Kong. Please also advise on the trend line in key resource areas, especially energy, but also steel, cement, timber/timber products, etc., and supply statistical data.

(C) Q: What is the value of Chinese investment in host country? In which sector(s) is it concentrated? Is there data to distinguish between portfolio investment and investment in productive sectors? Please include figures for realized investment as well as for contracted investment if possible. From the host country perspective, what types of financial or policy support does the Chinese government provide for Chinese companies seeking to invest in Latin America?

(C) Q: Does the local response to China's increasing demands pose the risk of potential environmental degradation and/or create long-term health hazards? Does China contribute to helping address environmental and health-related concerns that stem from its economic engagement with host country?

(C) Q: Has host country and/or China sought preferential trade arrangements, either bilateral or as part of a sub-regional or regional arrangement?

(SBU) A: The PRC commercial office in Santo Domingo has a staff of three PRC nationals and two local hires. Cai Weiquan, the principal PRC commercial officer in Santo Domingo, has told journalists that the absence of diplomatic relations has prevented the development of a legal framework to facilitate trade and investment (ref C). Still, Cai stated that PRC exports to the Dominican Republic amount to some USD 250 million annually and are more likely to grow than Dominican exports to China. Chinese exports include electronics, furniture, clothes, and automobiles. In 2004, total Dominican exports to China amounted to USD 20 million, and included coffee, tobacco, sugar, minerals, and iron.

(SBU) Recently the PRC has made some attempts at investment in the Dominican Republic. Earlier this year a Chinese firm, China Minmetal, proposed USD 5 billion to purchase worldwide operations of the Canadian company Falconbridge, which operates a nickel mine located in Bonaio, an hour north of the capital. The deal did not materialize.

(C) In another instance this year, Mainland Chinese and Hong Kong firms attempted to buy a 35 percent share of the Dominican Caucedo port, one of the newest most modern in the Caribbean (ref D). Three Chinese companies bid on Caucedo: Hutchison, China Merchant, and Cosco Pacific. Caucedo's local partners told Embassy Officer that they did not want a "Chinese" partner because this might have a negative impact on Caucedo's close ties with the United States. None of the Chinese companies was selected; instead, the 35 percent share was sold to DPI Terminals of Dubai.

(SBU) In June 2005 the Dominican press reported that Commercial Officer Cai Weiquan was promoting two PRC investment projects here valued at USD 100 million. In the first instance, a Chinese firm proposes to open a cement factory at a cost of USD 50 million in the Dominican province of San Cristobal. Cai stated the cement factory would use the latest technology and would follow international environmental standards. The other proposed investment, also worth USD 50 million, is from a Shanghai company that plans to provide five cranes to be used at Caucedo port.

(C) The PRC does not have any current projects or investments in the agricultural sector in the Dominican Republic, according to a planning director in the Dominican Ministry of Natural Resources and the Environment.

(SBU) A Chinese delegation visited the Dominican Republic in January and according to Cai, offered technical assistance on ocean areas, environment and natural resources, education, health, and other matters. The technical delegation is reported to have met with the Dominican ministers of environment, industry and commerce, and sports. The PRC commercial officer suggested creating a mixed commission to oversee these efforts.

(C) Another possible area for investment by the PRC here is tourism. In late 2004, a Dominican undersecretary for tourism informed Embos that PRC investors are looking at tourism investments in the country "if the Dominican Republic recognizes Beijing."

(SBU) The PRC is involved in the Dominican Free Trade Zones areas (FTZ). According to Dominican Council on Free Trade Zone Exportation (CNZFE), in 2004 PRC had accumulated investments of USD 4,657,762 in Dominican FTZs. CNZFE also reports that 16 PRC companies bought FTZ exports in 2004. Additionally, 67 FTZ businesses buy primary materials from the PRC, which as a provider of raw materials to the FTZ's is second only to the United States.

(SBU) The Embassy has not heard of any PRC suggestions of preferential trade treatment or bilateral trade agreements.

(C) Q: What if any assistance is China providing to host country? What is the breakdown between grants and loans? Does the Chinese government typically propose aid or does the host country request it? Who proposes specific projects? Do the Chinese push certain types of projects and shy away from others even if the host country has requested them?

(SBU) A: No aid is expected from the China until the Dominican Republic formally recognizes the PRC. There is no indication that this is likely in the near term.

(SBU) Journalists have suggested that the January 2005 technical delegation mentioned above was considering a possible Chinese purchase of Dominican bonds but we have seen no evidence of this.

(C) Q: What are official and popular attitudes to the Chinese presence? What are expectations for future relations with China?

(SBU) There are no strong popular attitudes to the small Chinese population in the Dominican Republic. The current government is interested in maintaining good relations with the PRC, short of formal recognition for now, in hopes of mutually beneficial trade and investment relations.

(C) Q: What is the extent of military contact and assistance between China and the host country?

(SBU) There appears to be little or no PRC-Dominican military contact or assistance.

(C) Q: Describe Chinese military-to-military contacts and efforts to sell weapons in your host country.

(C) A: There appears to be no PRC efforts to sell weapons to the Dominican Government.

(C) Q: We also welcome additional information on China's engagement with host country, cultural ties, education exchanges, etc.

(U) A: A Chinese music and dance troupe performed in the Dominican Republic in November 27-30, 2004. The PRC commercial delegation arranges well-publicized events during the year, such as the celebration of PRC's national day.

End Cable.  
HERTELL